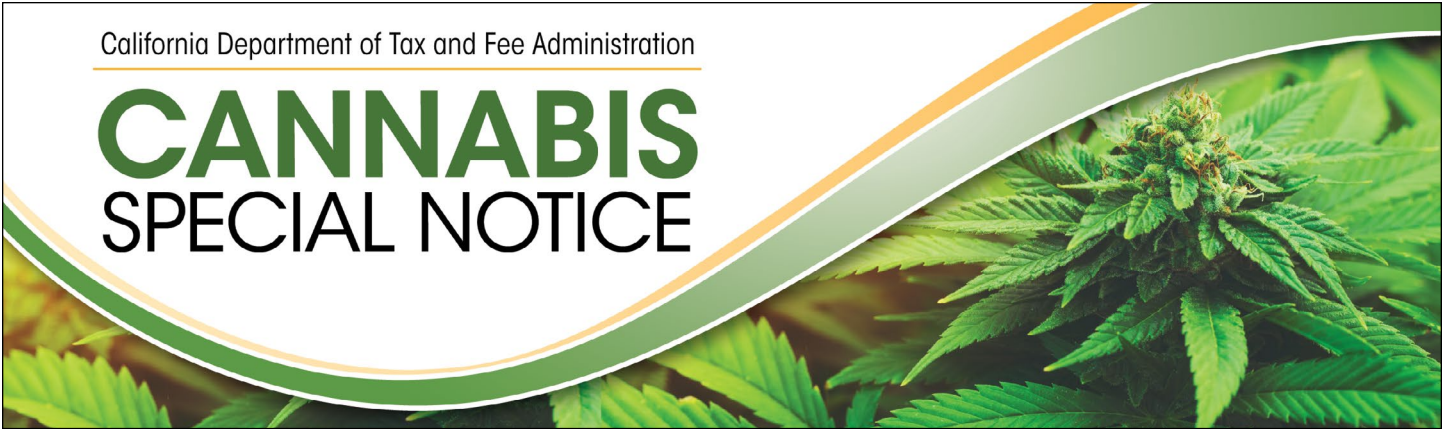


CANNABIS SPECIAL NOTICE



Cannabis Trade Samples Exempt from Cannabis Taxes

A new California law allows certain cannabis licensees to provide cannabis trade samples to other licensees for targeted advertising of cannabis or cannabis products. Cannabis or cannabis products provided to other cannabis licensees as trade samples are exempt from the cultivation tax and the cannabis excise tax (see [Assembly Bill 141](#)).

What taxes are exempt on cannabis trade samples?

- On and after January 1, 2022, the **cultivation tax** will *not* apply to harvested cannabis that will be, or has been, designated a trade sample and harvested cannabis used to manufacture cannabis products designated as trade samples and *given to other licensees for no cost or consideration*.
- Effective September 29, 2021, the **cannabis excise tax** *does not* apply to cannabis or cannabis products provided to other licensees when the products are designated as trade samples and not sold to other licensees or consumers.

When are taxes due on cannabis trade samples?

- The **cultivation tax** collected from a cultivator on cannabis later designated as a trade sample must be returned to that cultivator. If the collected cultivation tax cannot be returned to the cultivator, the amount collected must be paid to us by the distributor performing the required quality assurance review once the cannabis or cannabis products pass the required testing.
- A cannabis licensee that receives cannabis or cannabis products as a trade sample, and later sells the cannabis or cannabis products, is liable for the **cannabis excise tax** and the **cultivation tax** that applies to the cannabis or cannabis products sold.
- A cannabis licensee that sells cannabis trade samples in a retail sale is liable for the **sales tax** that applies to the cannabis or cannabis products sold as a trade sample.

What documentation is needed?

Each licensee providing or receiving trade samples should keep documentation to support that the cannabis or cannabis products are designated as trade samples and were given to or received by another licensee without payment or consideration. Without proper documentation, a cannabis licensee may be liable for all applicable taxes that would otherwise be due if the cannabis or cannabis products were sold.

Your documentation should include the following:

- A statement indicating the cultivation tax or the cannabis excise tax was not collected or paid.
- Any information on the licensee providing the trade samples, the licensee receiving the trade samples, and the licensee transporting the trade samples.
- This documentation should be consistent with the transaction(s) recorded in the California Cannabis Track-and-Trace System.
- Examples of documentation include a letter, invoice, note, or preprinted form.

- A cannabis licensee may use CDTFA-230-CD, *Cannabis Tax Exemption Certificate*, as written certification that the cannabis or cannabis products were given and used as trade samples. The CDTFA-230-CD is available on our website at www.cdtfa.ca.gov/DownloadFile.ashx?path=/formspubs/cdtfa230cd.pdf.

The Department of Cannabis Control (DCC) is responsible for regulating cannabis trade samples. For information on these requirements, please visit the DCC website at <https://cannabis.ca.gov>.

For more information

We encourage you to read our online *Tax Guide for Cannabis Businesses* at www.cdtfa.ca.gov/industry/cannabis.htm. You may also call our Customer Service Center at 1-800-400-7115 (CRS:711). Customer service representatives are available Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays. When calling, select the option for *Special Taxes and Fees*.